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14 MAR 1975

MEMORANDUM FOR: Director of Logistics

SUBJECT : Procurement Study

REFERENCE : Memo dtd 6 Mar 75 to D/L fr C/PD/OL, Subject: Evaluation
Analysis of Procurement Division Workload

1. This memorandum comments on the referenced Procurement Division (PD) response to the P&PS Procurement Study.

2. PD objected to the fact that the P&PS study concentrated on the analysis of present productivity factors without reference to the past. This objection was made clear in paragraph 1 of the reference wherein it was stated that the study "apparently neither addressed itself to nor considered the changed conditions which existed as of 1 July 1974, the problem period." The objective of the Procurement Study was to examine the current state of procurement operations so that judgments might be made regarding the impact of current conditions on the future not to conduct an analysis of past periods. Obviously, this approach involved taking snapshots of the system so as to determine how the system was behaving in the present. While analysis of past conditions may have provided a better basis for understanding the procurement function, historical perspective was not a necessary requisite for the preparation of study commissioned by the Director of Logistics.

3. Reference presented statistical data which attempted to refute the 60-day average throughput time allegedly set forth in the P&PS study (see paragraph 2b of reference). The 60-day throughput factor identified by PD was in error and cannot possibly be derived from the P&PS study. The P&PS study revealed "an approximate 6-week backlog in General Procurement Branch (GPB) as of the end of December 1974." The 6-week backlog proved to be an accurate estimate and was borne out by the data presented on page 10 of attachment to reference which confirmed that 64 percent of all funded requisitions processed by GPB are completed within 30-calendar days of receipt. The remaining 36 percent, of course, require upwards of 30 days for completion and at December's end was approximately 42 days as stated in the P&PS study. The 22.5 working days cited in attachment C to reference represents an average and not the December-end backlog.

4. Reference stated that PD was "unable to agree with either the statistics presented, the conclusions drawn, or the recommendations derived" in the P&PS study. These exceptions may present a potential problem in the future because the same statistical sources used by P&PS are believed to be referenced by the Procurement Management Staff in the preparation of

Administrative - Internal Use Only

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reports for the review of the DD/A. Assuming that PD generated statistical reports are in error, it is indeed incumbent upon all concerned to evolve common denominators for reporting purposes.

5. GPB's monthly statistical reports were used in the compilation of data presented in the P&PS study. A copy of these reports is attached and can be used to trace the development of statistics displayed in that document. Statistics presented in PD's rebuttal statement are at variance with data set forth in GPB's monthly statistical reports and these variances were carried forth in the P&PS study. Reasons for certain of these differences are described in the succeeding paragraph. Elimination of differences between these data sets leads to the affirmation of statistics presented in the P&PS study. Statistical verification is not a problem of the P&PS because any data set used in the P&PS study was provided by PD. Incongruities in statistical displays are being commented on by P&PS only because the problem was surfaced in the PD rebuttal statement.

6. One source of error between statistical data set forth in PD's rebuttal statement and that incorporated in the P&PS study is easily explained. The P&PS study presents transaction counts related to the acquisition of property only, whereas PD statistics include service contracts with property transactions. This characteristic of the study was made explicit in the P&PS study wherein it was stated that the study excluded analysis of "man-hours expended in the negotiation and management of service contracts, followups, resolution of discrepancies, repair and return, amendments, solicitation of bids, and associative function." P&PS's study attempted to meter transaction data which provided a base for the presentation of productivity factors for all elements involved in the procurement process. The study avoided performance measurement and evaluation which would have involved the development of value distribution tables in order to compute the average amount of time consumed in administrative pursuits such as followups, resolution of discrepancies, repair and return, solicitation of bids, amendments, etc., as well as an evaluation of the efficiency with which those various tasks were being performed.

7. The Procurement Division's memorandum acknowledges that backlogs exist and presents two alternatives for the elimination of same; first, the invocation of overtime as a source of manpower to reduce backlogs, or, second, an increase in authorized procurement officer positions which would inevitably lead to requirements for additional clerical personnel. This either/or implication is made explicit in paragraph 2a of reference wherein it is stated that "per-individual, and therefore productively, is as efficient as can be expected under existing circumstances." This condition forecloses the possibility of increasing throughput as a result of improvements in managerial

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SUBJECT: Procurement Study

efficiency. Assuming acceptance of this doctrine, no study associated with the analysis of the procurement function has the potential of yielding an acceptable result.

8. The attachment to reference (page 12) forecasts the number of procurement officers needed by PD to eliminate backlogs and to process supply documents currently being handled by the Special Purchase Branch, Supply Division (SPB/SD). Apparently, the forecast was constructed on the theme that the SPB resources, including authorized staffing patterns, would be transferred to PD. The augmentation of procurement officers within PD presents a promising solution to the backlog problem but leaves several questions unanswered. First, the GPB secretarial staff is allegedly working at capacity at the present time and thrusting additional workload upon this staff may create a requirement for additional overtime or an increase in secretarial staff. Second, PD included compensated overtime in its formulation of production capacity throughout its rebuttal statement and carried overtime over into the forecast as an essential property of production capability. Accordingly, PD appears to equate normal and overtime man-hours to production capacity which leads to the conclusion that overtime itself may have become a system objective. PD's estimate of staffing requirements and cost associated with the transfer of SPB/SD to PD must be regarded as a partial rather than a total requirement. (b) (5)

9. Reference states that CIA's enabling legislation and the General Counsel's interpretation of this legislation requires that CIA "strive for essential compliance of not only the ASPR's but also the FPMR's, particularly with respect to the Agency's "small

This conclusion can be inferentially derived from the statement that "existing Federal procurement status, Agency implementing regulations (FPMR, ASPR), and OL procurement practices must be adhered to regardless of where within the organization the small purchase branch is located."

10. One interpretation of reference is that the "small purchase program" activities must be subject to law and regulation so long as the component responsible for program execution is amputated from PD. The main ambiguity contained in the PD rebuttal statement in this regard is that PD seemed to imply that those very laws and regulations would be used as guides only in

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the event this program was transferred to PD because laws and other regulatory media are considered guides only in other procurement endeavors. Accordingly, evaluative criteria associated with the procurement function rest on a double standard, one applicable to PD activities and the other the "small purchase program." The survival of the "small purchase program" might be jeopardized if PD, or for that matter the Audit Staff, evaluated operations of the "small purchase program" on the basis of a double standard.

11. Conclusions:

a. PD's statistical data set forth in reference includes service contracts administered and executed by GPB which tend to be clustered in the first 2 months of the fiscal year. Exhibit A illustrates the clustering effect and also tends to confirm the proposition that service-contract workload does not seriously degrade GPB's capability to process purchase orders for materiel at least beyond the first month of the fiscal year. For this reason, P&PS excluded these actions from its statistical-data set, whereas PD included them. Subtraction of service-contract actions from PD's statistical presentations bring the two data sets in reasonable harmony thereby validating conclusions set forth in the P&PS study.

b. The P&PS study made reference to the fact that statistical data used in report generation lacked uniformity among OL reporting elements, and that these gaps would have to be "bridged before sound performance-measurement standards can be developed which provide a tool for quantitative evaluation." The P&PS study and PD's rebuttal statements clearly evidence the need for standardization to facilitate statistical interpretation of quantitative data.

c. Analysis of the PD rebuttal statement does not confirm that integration of SPB in the PD represents a viable alternative to the backlog problem.

d. PD noted that six procurement officers had "less than 1 year's experience and that it was considered inadvisable to increase their delegations before completing a "careful review of their capabilities and performance. . ." levels. Hopefully, PD will continue to monitor performance capabilities and increase delegations as whatever criteria is applied permits.



STAT

Chief

Plans and Programs Staff, OL

Atts

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